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NSW DNSP response re Facilitating Electric Vehicle Charging Infrastructure under Commonwealth Grants Consultation Paper

Ausgrid, Endeavour Energy and Essential Energy, together the three NSW distribution network service providers (**DNSPs**), appreciate the opportunity to respond to the Australian Energy Market Commission (**AEMC**) Consultation Paper: Facilitating Electric Vehicle (**EV**) Charging Infrastructure under Commonwealth Grants (the **Consultation Paper**).

NSW DNSPs are responsible for the distribution of affordable, safe and reliable electricity to the people of NSW. This includes transporting electricity from transmission networks at lower voltages to end-use customers. Our networks are important economic enablers for metropolitan, regional, rural and remote NSW communities. This is reinforced as Australia's energy system continues to transition from traditional one-way flows to a distributed, digitised system. Collectively we are:

- Ausgrid, which operates a shared electricity network that powers the homes and businesses of more than 4 million people living and working in an area that covers over 22,000 square kilometres from the Sydney CBD to the Upper Hunter;
- Endeavour Energy, which manages the electricity distribution network servicing 2.8 million people in homes and businesses in Australia's fastest growing regions. These include Sydney's Greater West - which is growing 40 percent faster than Sydney, with rapid population growth and more than $50 billion of infrastructure such as Australia's first new sustainable city in 100 years, and a new international airport - to the Blue Mountains, the Southern Highlands, the Illawarra and South Coast of NSW; and
- Essential Energy, which is the regional DNSP for NSW and manages more than 183,000 km of powerlines, covering 95 per cent of the State servicing 900,000 customers across regional, rural and remote communities.

The AEMC Consultation Paper seeks feedback on changes to the National Electricity Rules (**NER**) required to enable the Commonwealth Government's proposed Accelerating EV Charging Program (the **Program**). These rule changes are just one, however vital, part of delivering a Program with the potential to support a national EV charging network that keeps pace with growing EV uptake across Australia. NSW DNSPs are grateful to the Commonwealth Department of Climate Change, Energy, the Environment, and Water (**DCCEEW**) for the extensive consultation opportunities provided to us over the course of the development of the Program.

The proposed rule change is intended to facilitate the delivery of the Program. In our view, this creates a clear design requirement: the regulatory framework should not only enable cost recovery and investment, but should also support outcomes that are aligned with the Program's stated objectives. In particular, the Program is intended to address gaps in public charging infrastructure, resolve the 'chicken and egg' barrier to EV uptake, and support market development in locations where commercial investment may not otherwise occur. The effectiveness of the rule change should therefore be assessed not only by its ability to support efficient expenditure, but by the extent to which it enables deployment that contributes meaningfully to these outcomes.

This has practical implications for how the framework is applied. In particular, the rule should accommodate and support deployment in locations where additional infrastructure is likely to have the

greatest impact on EV uptake, market formation and consumer access, including where these outcomes are not well captured by short-term utilisation or least-cost deployment metrics alone. For example, approaches to defining and prioritising locations for deployment should be capable of reflecting underlying market conditions and the marginal contribution of infrastructure to uptake, rather than relying solely on simplified geographic classifications. Framing the rule in this way would better align implementation with the Program's purpose and support delivery of outcomes consistent with the long-term interests of consumers.

NSW DNSPs support the rule change request proposed by the Commonwealth Government. In providing this support, our detailed submission, at **Appendix A**, highlights key issues the AEMC may wish to clarify as it prepares a draft rule change, including:

- Ensuring that 'time value of money' is accounted for when applying cost recovery through regulated asset base (**RAB**) adjustments in a future control period;
- Developing principles for the treatment of the opex component of the proposed RAB adjustment;
- The need for a permission structure to allow DNSPs to facilitate 'open access' charging by appointing a retailer to a DNSP-provided charger and on-billing eMobility Service Providers (**eMSPs**) for the electricity they sell to their end customer;
- Whether the proposed model can determine the amount charge point operators (**CPOs**) are willing to pay to access a particular charging location, and if not, whether that necessitates changes to the proposed rules or the way they are described; and
- The interaction between this time and funding-limited proposal, and parallel rule change processes seeking to establish an enduring approach to DNSP-led provision of EV charging infrastructure.

There are also issues that span both the AEMC's considerations and DCCEEW's program design that will require further scrutiny. Clearer principles are required to guide how locations are prioritised under the Program, including ensuring that deployment is directed toward locations where it can most effectively contribute to EV uptake and address the 'chicken and egg' problem, as the current articulation of 'metropolitan' and 'regional' segments is not well defined. Permissions also need to be in place to enable DNSPs to facilitate the retailing of electricity by eMSPs at DNSP-provided chargers.

NSW DNSPs are eager to support the AEMC to resolve any outstanding issues with this rule change as swiftly as possible, to ensure DCCEEW can meet the tightly defined timetable for its Program. We are conscious of the growing demand from customers living in all parts of NSW for ample and easy-to-access EV charging infrastructure. Should you wish to discuss this submission further, please contact:

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Yours sincerely,



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Appendix A: NSW DNSP detailed response to AEMC Consultation Paper questions

The purpose of this Appendix is to provide the AEMC with detailed responses to the 10 questions within its Consultation Paper. NSW DNSPs would welcome the opportunity to discuss any of these responses in more detail.

1.1 Do you consider there is a "chicken and egg" problem in deploying AC kerbside EV charging infrastructure?

Yes. As is often the case with market transformation and the early stages of a technology adoption curve, electric vehicle charging infrastructure (**EVCI**) faces a 'chicken and egg' problem. Capital investment is needed to set up and maintain charging stations but without a critical mass of EVs, business models for the competitive market are unsustainable and appetite to invest in infrastructure is limited. However, without more public chargers, consumers remain hesitant to switch to EVs, reinforcing a negative feedback loop. The result of this is that Australia is falling behind in providing EVCI – there are currently 2.5 public charge points for every 100 EVs in Australia, compared to a global average of 9.[1]

In economic terms, this is a classic coordination problem compounded by positive externalities. Each additional charger increases the value of owning an EV, and each additional EV improves the commercial viability of charging infrastructure. However, individual investors are unable to capture the full value of these broader benefits. As a result, the private return on investment can be lower than the overall benefit delivered to the community, creating a risk that investment falls short of the level that would maximise overall consumer value.

Left to itself, these dynamics can lead to a market that is stuck in a low level of EVCI deployment. There is strong evidence that this is occurring in Australia, where the ratio of EVs to public chargers has largely deteriorated over time.[2] Commercial deployment relies on customers buying EVs first, meaning there is little incentive to deploy charging infrastructure ahead of demand. Government grants have sought to solve this issue, but impacts have been modest by international standards[3] as they are still largely reliant on underlying commerciality and have had limited impact on expanding access outside locations where EVs are most common. The NSW Government's Electric Vehicle Kerbside Charging Program grants have expanded availability of kerbside EV charging in some areas,[4] but have not brought about a commercial sector able to supply large volumes of kerbside charging without government support. Nor have they been able to solve the 'chicken and egg' problem in significant parts of the state.

In NSW government support for kerbside charging deployment has been greater than in any other part of Australia. However, we have seen no evidence of a viable commercial market being built up. Every kerbside charger installed across our networks has been underwritten by either ARENA, the state government or a local council.

Despite the NSW grants program, charging options are still limited for those who are unable to install their own private EV chargers due to a lack of off-street parking, rental agreements or strata restrictions, particularly in areas where overall EV uptake is low. These challenges were also highlighted in a recent behavioural study prepared by RedBridge Group for Endeavour Energy in 2025 regarding customer impediments to purchasing an EV, which found that:

- 30 per cent of customers in Western Sydney are open to purchasing an EV for their next vehicle (in line with the national average); but
- Hesitant customers (i.e., those not likely to purchase an EV as their next vehicle) highlighted inadequate public charging options as one of their main reasons for not purchasing an EV.

[1] International Energy Agency, Global EV Outlook 2026

[2] International Energy Agency, Global EV Outlooks 2022-2026

[3] Refer to Table 1 of the consultation paper and the relative investment for units of public chargers.

[4] https://www.energy.nsw.gov.au/business-and-industry/programs-grants-and-schemes/electric-vehicles/electric-vehicle-kerbside

When asked specifically about the statement "'There are not enough charging stations to support EV ownership", respondents overwhelmingly agreed with the statement. Similarly, EV hesitant consumers would be more likely to purchase an EV if there were to be more convenient and easily accessible public charging infrastructure. Ausgrid found similar results in its 2025 community survey. [5]

The Accelerating EV Charging program can help address the chicken-and-egg problem in less commercially viable parts of NSW by providing a pathway to both simplified CPO deployment and DNSP-led deployment of EVCI, supplementing the rollout already being supported by the NSW Government.

1.2 Do you agree that there is a market failure for deployment of EV charging in regional and remote blackspots?

Yes. However, the issue is best understood through observed market outcomes rather than a strict theoretical framing.

At present, the commercial market has not demonstrated an ability to deploy EVCI at scale in regional and rural areas. Remote areas of NSW are largely unserved. This reflects the underlying economics of early-stage deployment: the capital and ongoing costs of installation, operation and maintenance are substantial, while utilisation remains low due to limited EV penetration. As a result, expected returns are insufficient to support purely commercial investment under current conditions. This dynamic is most acute in regional and rural areas, where lower population density and weaker baseline demand further reduce utilisation and increase investment risk. In practice, this has led to deployment being concentrated in metropolitan areas, where higher utilisation supports commercially viable business models.

The Program is intended to address this dynamic by breaking the 'chicken and egg' constraint. By improving the availability and visibility of charging infrastructure in locations where it is currently a barrier, the Program can help increase EV adoption, which in turn improves utilisation and strengthens the commercial case for future investment. Evidence from metropolitan areas suggests that once a sufficient level of demand is established, commercial deployment can emerge and scale without ongoing intervention. By contrast, in areas where charging availability remains a binding constraint, targeted deployment has the potential to deliver a larger marginal impact on EV uptake and market development, even where near-term utilisation is comparatively lower.

This highlights an important consideration for program design. While utilisation and cost efficiency are relevant factors, they are not the sole indicators of value in the context of a market activation program. In some cases, investment in less commercially attractive locations may deliver a greater contribution to resolving the underlying adoption constraint the Program is intended to address. This includes regional and remote areas, but is not limited to them – any location where charging availability is constraining adoption may warrant priority from an outcomes perspective.

It is also important to recognise that access to charging infrastructure is a necessary, but not sufficient, condition for EV uptake. Broader consumer preferences, cost considerations and behavioural factors will ultimately drive adoption decisions. However, without adequate access to charging – particularly accessible, lower-cost options such as kerbside AC charging in a mix of locations – these factors cannot fully translate into increased uptake. Addressing infrastructure gaps is therefore a critical step in enabling both the acceleration of EV adoption and the development of a sustainable, competitive charging market over time.

The rollout of kerbside EVCI by DNSPs using existing assets would help ensure regional communities are not left out of the opportunities from transitioning to EVs. Addressing the charging infrastructure issue in regional Australia, is pivotal to unlocking the full spectrum of benefits that the EV transition can offer.

[5] https://www.ausgrid.com.au/transforming-the-grid/innovating-for-the-future/electric-vehicles/kerbside-charging

1.3 Do you consider the following DNSP processes and prices to be barriers to efficient EVCI deployment:

a) connection processes, including timeframes and costs?

A lot of public commentary about DNSP EVCI connections conflates them with issues associated with high-speed charging hubs, which have significant network impacts and may require augmentation to increase capacity, and consequently has a longer application to construction timeline. Kerbside AC chargers, however, have a much more straightforward approvals process:

- **Timeframes:** AC kerbside chargers have capacity needs similar to a standard household connection. Because of this, in all NSW networks they enter into our normal connection processes. Endeavour Energy approves typical AC kerbside charger applications within 10 minutes. Ausgrid is implementing a new connections portal during 2026 that is expected to achieve similar approval timeframes for <100amp connections. Essential Energy kerbside EV charger connection applications result in either a basic or standard connection offer dependent on the application and network specifics. Compliant applications are typically approved in approximately 5-10 business days. There are also easy system checks where some applications can be automatically accepted with no meaningful delay where they meet the conditions of Essential Energy's relevant Model Standing Offer (MSO).
- **Costs:** Similarly, fees charged to kerbside AC EV chargers are the same as those paid by other connecting customers with similar power demands. Where a technical assessment is not required, the applicable connection fees in 2025-26 are $23.30 for Ausgrid, $33.44 for Endeavour Energy and $46.22 for Essential Energy. Connection fees are published on the respective DNSP websites.

When considering whether barriers exist to efficient EVCI deployment at the kerbside, we therefore ask the AEMC to consider the differences between kerbside AC and high-speed (**DC**) EVCI connections processes.

b) site identification processes?

Site identification for kerbside EVCI deployment to date has typically been CPO-led and requires extensive interaction with councils, which can make the process more complex. Regarding network connection, DNSPs are committed to providing timely information to assist proponents with locating suitable poles and infrastructure (shared assets). Initial site feasibility assessments are conducted by CPOs or their authorised representatives (in NSW, typically by Accredited Service Providers (**ASPs**)). NSW DNSPs support this through the provision of guides and self-service, free-to-use tools such as Endeavour Energy's Available Capacity of Distributed Substation Map and similarly Essential Energy's Estimated Substation Capacity Map, which together can provide CPOs with a moderate- to high-level of confidence that a site is suitable and has available electrical capacity.

Once a CPO has identified a pole, it can submit an enquiry application to the relevant DNSP to perform a technical suitability assessment, such as available electrical capacity to supply the load, and pole suitability checks. Generally, the factors assessed are published by the DNSP within relevant standards published on the DNSP's website, such as Ausgrid's NS183 and Endeavour Energy's MCI 0009 and MDI 0031. The typical fee for this service is around $50 - $200 per pole across NSW networks.

In the event a pole is deemed to be unsuitable to host EVCI then, wherever possible, an alternative pole within the vicinity may be considered. There are slight variations between DNSPs on how this is done. For Ausgrid, this involves Ausgrid suggesting an alternative pole to the CPO. For Endeavour, the CPO is responsible for identifying an alternative suitable pole for Endeavour to review and approve.

Essential Energy has an existing tool that is being developed for use under the ARENA "Plug and Play" program, which has a direct application for streamlining the asset identification process for pole mounted chargers. The tool presents to Local Government Areas (Councils) a visual survey of timber pole assets that have been determined to have a high likelihood of physical suitability for EV charger

connection. The intent of this tool is to separate the network/asset suitability assessment (DNSP) from societal suitability assessment (Councils) leading to a resultant geospatial presentation of poles that can be used to inform investment decisions and streamline CPO decision making.

c) Facility access fees?

In our experience connecting grant-funded commercial EV chargers under the NSW Government's Electric Vehicle Kerbside Charging Program, facility access fees have not been a barrier to deployment.[6] While the specific terms of individual facilities access arrangements are commercial in confidence, the model is working well. For example, Ausgrid has negotiated arrangements with 6 CPOs, most of whom have taken up additional sites on the same terms as their initial Facilities Access Agreement (**FAA**), demonstrating that the FAA has not been a barrier to repeat business, scale, or new customers. We further note that 10 per cent of revenue collected from facilities access is shared back with our general customer base through shared asset revenue guideline arrangements.[7,8]

Other costs faced by commercial CPOs under the NSW Government Electric Vehicle Kerbside Charging Program also far outweigh the cost impact of network FAAs. For example, the amount charged by councils to dedicate a parking space for a charger is at least double, and in some cases several multiples more than the typical amount charged by an NSW DNSP in FAA fees. Were a CPO to seek to install their own kerbside infrastructure, such as by building a dedicated pole or cabinet to hold a kerbside charger, this would also be several multiples more costly than leasing access to a distribution network pole.

2.1 Do you agree with the methodology of the proponent's modelling [of the emissions reduction benefits]? If not, why?

We broadly agree with the general approach and principles of the modelling methodology. The proposed methodology has the advantage of being simple to calculate, and does not depend on formulating speculative counterfactuals.

2.2 Do you agree with the proponent's assumptions in the modelling? If not, why

NSW DNSPs broadly agree with the assumptions in the modelling, noting that the assumptions are for a national program, and that the inputs, assumptions and estimates may vary by location.

3 Do you have any views on the proponent's assessment of the benefits of the funding program beyond emissions reduction, including the potential for it to provide insights to inform an enduring market design for EVCI?

NSW DNSPs broadly support the assessment of benefits set out. We consider there are additional benefits, not stated in the Consultation Paper, that the Commonwealth Government's Program would lead or contribute to, including:

- **Improving equity of access to EVCI and EVs:** Energy Consumers Australia (**ECA**) considers EVs as "perhaps the greatest opportunity for consumers in the energy transition" to significantly reduce their energy costs, with EV-owning households expected to save $1,440 a year by 2030.[9] However, to date, EVCI has been concentrated in commercially viable

[6] https://www.energy.nsw.gov.au/business-and-industry/programs-grants-and-schemes/electric-vehicles/electric-vehicle-kerbside

[7] Consistent with the Shared Asset Guidelines, if unregulated revenue exceeds the materiality threshold of 1% of annual revenue requirements, then 10% of the unregulated revenue is shared back to consumers

[8] If the AER classifies EVCI as a negotiated service, then the shared asset revenue guidelines will not apply

[9] HoustonKemp Economists, Creating Accessible and Affordable Public EV Charging Networks for Australia (July 2025); Energy Consumers Australia, Stepping Up: A Smoother Pathway to Decarbonising Homes (August 2023)

locations with higher EV ownership rates (i.e., wealthier suburbs). The Commonwealth Government's Program can expand access to EV ownership by encouraging deployment of EVCI in places without pre-existing levels of high EV ownership.

- **Improving competition at the kerb:** While commercial chargers are typically locked to a single retailer and a single, or small number of, eMSPs, NSW DNSP provided chargers will be open access. This will allow any eligible business to become an eMSP via those chargers thereby increasing competition by giving end customers the choice of whom they wish to purchase their charge from. NSW DNSPs are also considering opportunities to expand the scope of competition even further, through a technology solution that takes advantage of the newly instituted Type 9 metering to allow not just competition between eMSPs, but competition between multiple underlying electricity retailers to occur via each individual charging point. This competition will ensure end users have the choice of the lowest possible pricing when charging their vehicle and should help equalise the costs faced by those reliant on public charging with those who are able to charge their EV at home.
- **Improve network utilisation:** More EVs on the road will increase electricity consumption. However, to the extent that EV charging takes place outside of peak times, that increase in overall consumption need not be matched with an increase in peak consumption. As Houston Kemp, reporting for ECA, found, "public AC pole-mounted EV charging presents a substantial opportunity to improve network utilisation, which is an important factor in the electricity prices that all consumers face."[10] Boosting Australia's AC charging network, and reducing reliance on more demanding high-speed charging provision, should therefore help reduce electricity bills for all consumers, whether or not they are EV owners.

4 Do you consider it appropriate for EVCI projects approved as part of the funding program to have a difference between the total project costs and the amount CPOs are willing to pay funded through a combination of government funding and contributions from all electricity consumers?

The proposal to split funding through a combination of government funding and contributions from electricity consumers is in line with the stated objectives of the Commonwealth Government's Program. We agree with the design proposal that the amount to be split should be the difference between total project costs and CPO contributions. However, we caution that the program design does not currently allow for a determination of the "amount CPOs are willing to pay". The proposed cap on Facilities Access Fees eliminates one method of determining willingness to pay. Meanwhile, it is proposed under kerbside design 1 that the first CPO to express interest in a site, and crucially **not** the CPO willing to pay most for a site, would be the one to claim it. Therefore, if the Government's (or the AEMC's) intention is that CPO willingness to pay will be discovered, it does not appear to us that the Program will lead to that outcome.

We highlight that in NSW, kerbside EV charger that have been installed have been heavily subsidised by taxpayer funding, either via the NSW Government, ARENA or local councils. The only chargers we are aware of in Australia that have not been government funded are those being installed by Citipower-Powercor-United Energy, as part of its kerbside trial.[11] Absent either taxpayer or electricity customer funding, there is no evidence of a viable purely-commercial business case for kerbside EVCI under present conditions. As a result, to achieve a successful rollout it will be necessary for costs to be met via alternative means, such as "a combination of government funding and contributions from all electricity consumers" or alternative appropriate mechanism.

NSW DNSPs acknowledge the cost-of-living pressures currently being felt by many households. We can reassure billpayers that these costs are minimal (DCCEEW estimates a bill impact of ~$0.79-1.44), that the program design serves to put pressure on keeping these costs as low as possible. Additionally, any impacts specific to DNSPs are partially offset by the benefits of improved network utilisation described in Question 3 for all electricity users and greatly reduced for EV drivers when considering overall energy cost benefits of electrification.

[10] HoustonKemp Economists, Creating Accessible and Affordable Public EV Charging Networks for Australia (July 2025)

[11] Australian Energy Regulator, CitiPower, Powercor and United Energy – Ring-fencing Waiver (EVCI) Decision (October 2025)

5 Do you consider it appropriate for EVCI projects approved as part of the funding program to have a difference between the total project costs and the amount CPOs are willing to pay funded through a combination of government funding and contributions from all electricity consumers?

5.1 Allow a DNSP's RAB to be adjusted to include capex for approved EVCI projects? If not, why?

We support arrangements that allow DNSPs to recover residual EVCI costs (net of Government funding and CPO fees) through the regulatory framework administered by the AER.

While this will increase the total expenditure that DNSPs recover from customers, it does not necessarily follow that network charges will increase or that costs will be simply transferred from non-EV customers to EV customers. The Program supports the broader electrification of transport, which increases utilisation of the existing network asset base and spreads fixed costs over a larger volume of energy consumption. Under a revenue cap form of control, this improved utilisation places downward pressure on unit network costs (c/kWh) for all consumers. In addition, when combined with appropriate pricing signals and demand management, EV charging can be aligned with periods of low demand or high solar output, improving system efficiency and supporting more efficient use of existing infrastructure. In other words, total network revenue may increase while average network charges remain unchanged or fall if the increase in electricity consumption is sufficient to offset the additional expenditure that is incurred.

On this basis, the Program has the potential to deliver broader system benefits that extend beyond direct EV users and are consistent with the long-term interests of consumers. This reflects the same underlying principle that has historically supported the efficient recovery of shared network infrastructure, where increased utilisation benefits all users rather than a specific subset of customers.

Our preferred mechanism is exclusion from incentive scheme carryovers

Our primary objective is that the recovery mechanism is simple, transparent and administratively efficient. On that basis, we prefer the Program's EVCI expenditure to be excluded from the carryover calculations under AER incentive schemes, rather than introducing a bespoke RAB adjustment mechanism.

Under this approach, EVCI capex would enter the RAB through the ordinary roll-forward process at the commencement of the next regulatory period, net of Government funding and CPO payments, which would be treated as capital contributions. A Capital Expenditure Sharing Scheme (**CESS**) exclusion would ensure DNSPs do not incur a notional penalty for investing in a program that was not funded in their current regulatory determination. Similarly, an Efficiency Benefit Sharing Scheme (**EBSS**) exclusion would prevent DNSPs from being penalised for operating expenditure associated with the Program.

Importantly, the exclusion could be limited to expenditure incurred under the approved Program funding envelope. If actual expenditure exceeded the approved amount, the ordinary operation of the CESS and EBSS could apply to the excess. This would preserve the incentive properties of the schemes while ensuring DNSPs are not penalised for delivering expenditure that they could not reasonably have forecast at the time of their determination.

We remain open to a RAB adjustment mechanism

The NSW DNSPs remain open to alternative approaches, including the RAB adjustment mechanism proposed in the rule change request, provided the outcome is NPV-neutral for both participating DNSPs and customers.

If the RAB adjustment is adopted, the adjustment amount should reflect the prudent and efficient expenditure incurred by the DNSPs, net of Government funding and CPO connection payments. Consistent with the rule change request, facility access fees should continue to be treated as unregulated revenue retained by the DNSP (subject to the shared asset guideline) and should not be netted against the RAB adjustment.

The mechanism should also account for the time value of money. EVCI expenditure will begin to be incurred from 2026-7, whereas recovery will not commence until the next regulatory control period. The adjustment amount should therefore be indexed at the allowed Weighted Average Cost of Capital (**WACC**) to compensate DNSPs for the financing lag between expenditure and recovery.

Ex-post review

We do not support changes that reintroduce an ex-post efficiency review of program expenditure. The Program already contains strong efficiency incentives through competitive procurement processes. Under either an incentive exclusion approach (NSW DNSP's preference) or a RAB adjustment method, the standard 70:30 sharing of efficiency gains and losses would also be in place. Introducing a further ex-post review would reduce certainty for participating DNSPs without delivering a commensurate consumer benefit.

5.2 Allow a DNSP's RAB to be adjusted to include opex for approved EVCI projects for the first five years? If not, why?

The NSW DNSP's preferred approach is an incentive scheme exclusion model rather than a RAB adjustment mechanism. This is for the reasons outlined in our response to question 5.1 above.

Notwithstanding, we remain open to a RAB adjustment method. If it was implemented, we recognise this departs from the conventional treatment of opex, which is recovered as a revenue allowance in the period in which it is incurred rather than capitalised into the RAB. On balance, we accept the proponent's view that capitalising this opex and recovering it in the same manner as capex is administratively simpler. We also agree it would be neutral in NPV terms – provided the capitalised amount earns a return at the allowed WACC on its unrecovered balance.

To give effect to this approach, we recommend the AEMC develop principles for the treatment of the opex component of the RAB adjustment. This should address:

- the depreciation profile to be applied e.g. a five-year profile would align recovery over the course of a regulatory period; and
- how the gap between when the expenditure is incurred (within the 2024-29 regulatory period) and when it is recovered (from the 2029-34 period) is addressed.

As outlined in our response to question 6, the gap between when the expenditure (both capex and opex) is incurred and when it is recovered will require a true-up for the time value of money.

5.3 Treat any ongoing opex in subsequent regulatory control periods in the same way as opex for standard control services under the NER framework? If not, why?

We agree with this approach in principle. However, we remain concerned about the treatment of the associated opex for approved EVCI projects through the AER's base-step-trend methodology. As highlighted in DCCEEW's rule change proposal, the opex amounts related to this Program are expected to be relatively small. If some opex is not incurred in the base year, it will have to be included as a step change. This creates a risk for DNSPs that it may not be approved by the AER as a step change if it is not perceived to be sufficiently material.

6 Do you agree with the proponent's proposal that DNSPs recover costs in the next regulatory control period? If not, should DNSPs instead be able to recover costs incurred in the current regulatory control period through a reopener?

The NSW DNSPs are open to a range of recovery mechanisms, provided the outcome is NPV-neutral for participating DNSPs and consumers, includes appropriate indexation and financing costs to ensure full cost recovery, and avoids unnecessary administrative complexity.

Our preferred approach is for Program expenditure to be excluded from the carryover calculations under the AER's incentive schemes and recovered through the ordinary regulatory framework. For the NSW DNSPs, this would be a practical and administratively simple approach. The Program is expected to conclude on 30 June 2029, which coincides with the end of the current regulatory period for Ausgrid, Endeavour Energy and Essential Energy. As a result, the next regulatory period commencing on 1 July 2029 provides a natural point at which Program expenditure can be incorporated through the standard RAB roll-forward process.

We nevertheless remain open to a RAB adjustment mechanism, provided it delivers an equivalent outcome. Under either approach, it is important that DNSPs are compensated for the time value of money. Program expenditure will be incurred from 2026 onwards, while recovery will not commence until 2029. To ensure recovery is NPV-neutral, expenditure should be indexed at the allowed WACC from the time it is efficiently incurred until recovery begins.

We also note that some Program costs may not be finalised in time for inclusion in the opening RAB of the subsequent regulatory period. The rule should therefore allow additional Program Adjustment Amounts to be incorporated during that period and provide those amounts with equivalent time-value treatment.

7.1 Do you agree with the proposals that EVCI connection works should not be classified as connection services under the NER? If not, why?

We agree with the proposal that EVCI connection works should not be classified as connection services under the NER. As noted in the Consultation Paper, ‘make ready’ works will need to be undertaken at a point in time where no specific ‘connection applicant’ (i.e. CPO) yet exists. The ‘make ready’ approach envisaged by the Program requires a non-standard classification of the connections works being undertaken.

This proposal also supports the policy intent to streamline, as far as possible, the ability for private CPOs to connect to distribution network poles. It does so by removing the need for them to make a connection application (noting as per Q1.3 that, for kerbside AC chargers, these standard applications are pro-forma and typically immediately approved).

7.2 Do you agree with the proposals that the restricted asset provisions should not apply where they would otherwise prevent or limit a DNSP from delivering an approved EVCI project? If not, why?

NSW DNSPs agree with the proposal that the restricted asset provisions should not apply where they would otherwise prevent or limit a DNSP from delivering an approved EVCI project.

8. Are there alternative solutions for integrating the proponent’s funding program in the NER that you think we should consider?

No response.

9. What do you think should happen with the EVCI assets, that DNSPs may be responsible for installing under the different proposed funding models, at the end of the EVCI’s life (e.g. should DNSPs be able to replace the EVCI)?

DNSPs should have discretion to determine how best to replace these assets. For example, the AEMC should not mandate like-for-like replacements. DNSPs should be able to consider changes in

technology or market structure, before determining what replacement asset best serves the community needs.

If determined to be warranted - DNSPs should be permitted to replace DNSP-provided EVCI assets at the end of their service lives. We think it would be undesirable for the community to lose assets that they have been using, and likely come to rely on, because no replacement pathway exists. The AEMC could require at that time another round of first-refusal with the commercial market as part of this asset replacement process.

10. You may may wish to share early views on the role of DNSPs in EV charging, including the roles as identified within this rule change request, namely:
- **as provider of last resort for kerbside charging in metropolitan areas?**
- **as the provider of EV charging for uncommercial regional blackspots?**

NSW DNSPs support the rule change request made by Energy Networks Australia (ERC0437), and refer the AEMC to it for a detailed overview of our views on the future role of DNSPs in the provision of EVCI. Specifically, we note that, under the terms of that proposal, we consider the question of "provider of last resort", and any applicable 'first refusal' practices would need to be addressed by individual DNSPs in their Distribution EVCI Deployment Strategy.

Additional issues

NSW DNSPs wish to raise two additional points not directly relevant to the AEMC's Consultation Paper questions. We ask the AEMC to consider these issues as it makes its draft determination.

1. Lack of clarity about defining locations

Clearer principles are required to guide how locations are prioritised under the Program. The current articulation of 'metropolitan' and 'regional' segments is not well defined and risks unintentionally concentrating deployment in major capital cities, where costs are lower and commercial participation is more likely. From a program objective perspective, this may not represent the most effective deployment of funding to address the 'chicken and egg' problem or support EV uptake in underserved areas. Regional centres such as Newcastle or Port Macquarie can exhibit the characteristics of a metropolitan hub within their local context, and may warrant different treatment to both major CBDs and remote blackspots. Greater clarity in how these concepts are defined and applied would improve alignment between deployment outcomes and the policy intent of the program.

2. Need for ring-fencing permission for DNSPs to pass through retail charges

Under the trial being undertaken by Citipower, Powercor and United (**CPU**), CPU has appointed a retailer at each site and are passing through the cost of this energy to eMSPs who hold the sales relationship with the customer. Ordinarily a DNSP is restricted from facilitating this transaction (the sale of energy is considered contestable), however this approach was permitted by the ring-fencing waiver CPU received. Equivalent provisions will be required to enable DNSPs to implement open access on any EVCI DNSPs deployed under the program. While there are general requests in the rule change proposal that ring-fencing constraints are disapplied for the purposes of this program, we encourage the AEMC to specifically confirm that DNSPs will be able to take similar actions to appoint a retailer and pass those retail charges through to the relevant eMSP chosen by the customer.